



Poverty and Economic Opportunity

Introduction

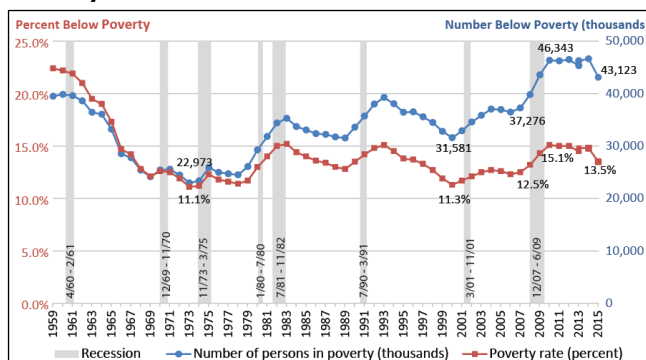
In 2015, an estimated 43.1 million people, 13.5% of the total noninstitutionalized population, were living in families with incomes below the official poverty line. The number of people in poverty and the poverty rate dropped in 2015, but both remain higher than before the recent recession.

The key factor in determining economic well-being is work in a wage-paying job. For adults of working age, that work is either their own or their spouses'. For children, it is the work of their parents. For the aged and disabled, it is often Social Security benefits or private retirement or disability income earned through their and/or their spouses' past work. While earnings and work-based benefits are not always enough to raise family incomes above poverty, it is their absence that generally results in poverty. Thus, work—incentives, disincentives, requirements, and availability—is central to the policy around poverty and government assistance. Additionally, educational and services programs often seek to improve individuals' employability to enhance their economic opportunities.

Trends in Poverty

The federal government has produced official poverty statistics for each year from 1959 through 2015. In general, the rate of poverty declined in the early period (1959 to 1973). After 1973, the poverty rate generally fluctuated with economic conditions, falling during periods of growth and rising during economic downturns. However, since 2000 there have been relatively few declines in the poverty rate. There were three years in the 2001-2015 period when the poverty rate declined by more than the margin of error in the poverty estimate. During the 2001-2007 economic expansion, the poverty rate declined once (in 2006). Following the end of the Great Recession (2007-2009), the poverty rate fell twice (2013 and 2015), but it remains above pre-recession levels.

Figure 1. Number of People Living in Poverty, and Poverty Rate: 1959-2015

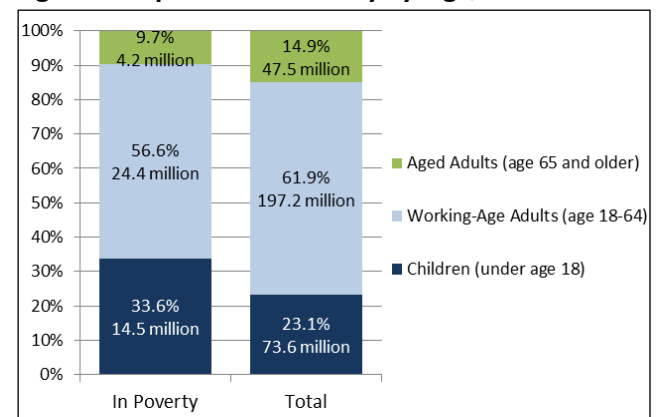


Source: Congressional Research Service (CRS), based on data from the U.S. Census Bureau; see CRS Report R44644.

Who Are the People Living in Poverty?

Non-Hispanic whites represent the largest racial/ethnic group in the overall population (61%), and represent 41% of all people living in poverty. Racial/ethnic minorities (Hispanics of any race and nonwhites) are over-represented in the poverty population, comprising 59% of people living in poverty. People of all ages live in families with incomes below the poverty threshold, but children are disproportionately poor relative to their share of the overall population.

Figure 2. Population in Poverty by Age, 2015



Source: Congressional Research Service (CRS), based on data from the U.S. Census Bureau; see CRS Report 44698.

The Central Role of Work

For working-age adults (ages 18-64), close to two-thirds of those living in families with income below the poverty line did not work in 2015. (The reason for their nonwork was most often illness or disability, caring for other family members, or going to school.) For aged adults (age 65+), most have income either from their past work, in the form of retirement or disability benefits, or from the current work of family members, helping to explain why aged adults are under-represented in the poverty population.

Work alone is sometimes not enough to raise family incomes above poverty, particularly in families with children. In 2015, two-thirds of all children living in poverty had at least one adult in their family who worked at some point during the year.

Policy Responses

Before the Great Depression in the 1930s, poverty policy was generally left to state and local governments. However, the mass economic dislocation of the depression led to new federal policies, such as federally funded cash relief and public employment for the unemployed. The Social Security Act of 1935 created systems of social insurance where workers earned protection against wage losses due to old age and unemployment, and it authorized grants for

public assistance programs for the aged, the blind, and dependent children. Other milestones in policy toward poverty and economic opportunity were President Lyndon Johnson’s War on Poverty, and the welfare reforms of the 1990s. The debates about these policy initiatives included common questions and themes echoed in today’s discussion of poverty and economic opportunity—particularly, should the policy response

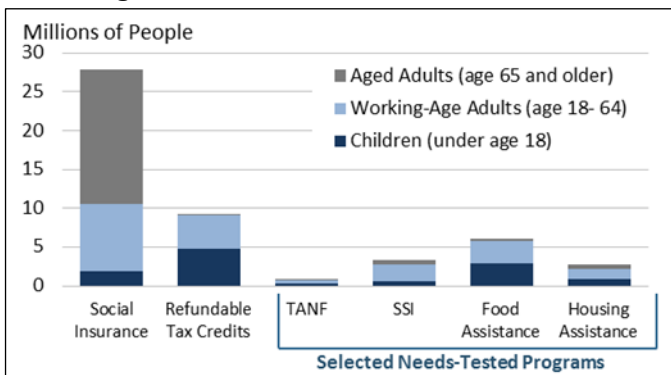
- be universally available (e.g., macroeconomic policy or social insurance) or specifically targeted to the poor?
- provide income to alleviate poverty, services to support economic opportunity, or provide publicly subsidized jobs, wages, or other work supports?
- be tied to specific behaviors, like work?
- be a federal response or one that is implemented at the state and local level?

Anti-poverty Effectiveness of Safety Net Programs

The anti-poverty impact of a program is generally measured in terms of how many more people would be poor in the absence of income from that program (not accounting for any potential behavioral changes by program participants). The programs with the greatest impact on poverty in 2015 were the social insurance programs (e.g., Social Security, Unemployment Insurance, and Worker’s Compensation)—particularly Social Security, with its large impact on the aged population, as well as the non-aged, including children. Social insurance programs are universally available programs (not needs-tested), but they are explicitly tied to work.

The refundable tax credits (the Earned Income Tax Credit and the Child Tax Credit), targeted to working low-income parents, have the second largest impact on overall poverty, and the largest impact on child poverty. Public assistance (Temporary Assistance for Needy Families cash benefits and Supplemental Security Income for the Aged, Blind, and Disabled) and the noncash programs (e.g., food assistance, housing assistance) had a smaller impact on poverty. These programs generally lessen the severity of poverty but often fail to raise family incomes above poverty.

Figure 3. Anti-poverty Effectiveness of Selected Safety Net Programs, 2015



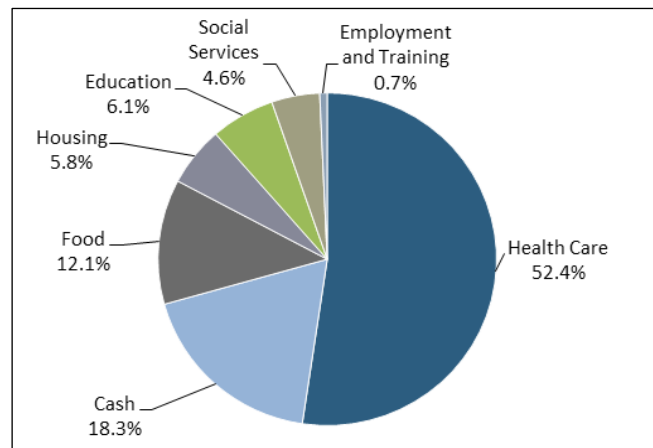
Source: Congressional Research Service (CRS), based on data from the U.S. Census Bureau. This figure uses the Supplemental Poverty Measure (SPM), which takes into account the value of noncash benefits, except the explicit value of medical insurance.

In FY2015, federal spending for Social Security and Unemployment Insurance totaled \$914 billion. Federal spending on needs-tested cash (including refundable tax credits), food, and housing assistance totaled \$303 billion.

Needs-Tested Programs

Needs-tested programs are diverse in their purposes, designs, and populations served. When health care, education, social services, employment and training, and energy assistance are added to the needs-tested safety net programs discussed above, federal spending on needs-tested programs totaled \$848 billion in FY2015. Health programs (primarily the Medicaid program) are the largest category, accounting for more than half of all spending on needs-tested benefits in FY2015.

Figure 4. Federal Spending on Needs-Tested Benefits, FY2015



Source: CRS Report R44574.

Conclusion and Questions

Most needs-tested spending represents health care or programs of cash, food, and housing assistance to address poverty. A relatively small share of needs-tested spending is for education, social services, or employment and training programs (combined, 11% of needs-tested spending) that seek to improve employability and economic opportunity for low-income people. The centrality of work, both in preventing poverty and as a core component of safety net programs, raises policy questions. If work is the answer to poverty, and economic opportunities stem from being able to work, how should policy address situations when

- work is not enough to raise incomes above poverty because of low wage rates or insufficient hours?
- work is scarce as a result of macroeconomic or local economic conditions?
- individual circumstances—age, health, education or experience, personal or systemic challenges—serve as a barrier to success in the labor market?

Gene Falk, Specialist in Social Policy
Maggie McCarty, Specialist in Housing Policy
Joseph Dalaker, Analyst in Social Policy

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